



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #445

Agency Budget Reductions and Youth Challenge Academy (Military Affairs)

[LFB 2011-13 Budget Summary: Page 286, #3 and Page 287, #8]

CURRENT LAW

Under current law, the Department of Military Affairs operates various programs for the Wisconsin National Guard. Portions of these programs are supported with matching federal funds, including payments for repair and maintenance of National Guard facilities [s. 20.465(1)(b) of the statutes] and operation of the Challenge Academy [s. 20.465(4)(ka) of the statutes].

GOVERNOR

Delete \$80,700 GPR annually from supplies and services for the DMA repair and maintenance appropriation.

Delete \$52,100 PR annually from supplies and services for the DMA Challenge Academy program.

These reductions are equal to 10% of the base funding for supplies and services as part of the Governor's recommended agency budget reductions.

DISCUSSION POINTS

Repair and Maintenance

1. The Legislature has appropriated \$806,900 GPR annually (all supplies and services) for repair and maintenance costs of military lands and building controlled by DMA. The federal government matches these funds. The GPR funding provided for repair and maintenance matches federal funds (50% match for Army National Guard and 25% for Air National Guard).

2. Under the bill, the Governor would delete \$80,700 GPR (\$72,600 from the Army National Guard and \$8,100 from the Air National Guard) annually from this appropriation. It could be argued that this reduction is equivalent to 10% of the amounts appropriated under supplies and services, and, therefore, represents a reduction equivalent to most sum certain GPR and PR appropriations under the bill.

3. Funding for the FED-continuing appropriation was not reestimated under the bill. The Governor's recommendation should have included a reestimate of -\$96,900 FED under DMA's federal aid appropriation (s. 20.465(1)(m) of the statutes). Since the GPR funds are used to match federal funds, the proposed GPR reduction could result in an additional loss of \$96,900 FED annually in federal aid payments, which would more than double the loss of funds for maintenance services. If the Committee wishes, therefore, to avoid the potential loss of federal funding, the Governor's provision could be deleted.

Challenge Academy

4. The Challenge Academy is federally established under 32 USC 509. The National Guard Challenge Program has the goal of assisting participants in receiving their high school diploma or its equivalent under a 22-week residential phase and a 12-month post-graduate phase in which the participants are assigned a mentor. The program also has the goal of improving life skills and employment potential of participants through military-based training and supervised work experience.

5. The Department states that the cadets are usually high school drop-outs, habitual truants, expelled students, or students critically deficient in credits. In order to qualify, cadets must be free of drugs, mentally and physically healthy, not on probation, not awaiting sentencing, or have been convicted of, or have charges pending for a felony.

6. During the 2009-11 biennium, the Legislature authorized program revenue (PR) funding (40% of costs) for the operation of the Challenge Academy, sufficient to match federal payments for the program (60% of costs). The program revenue is derived from the transfer of general school aids from the Department of Public Instruction.

7. Base funding for the program is \$4,079,700 (\$2,464,600 FED and \$1,615,100 PR). Funding under the bill would total \$4,107,400 (\$3,080,600 FED and \$1,026,800 PR) annually. The following table shows base funding and the proposed modifications under the bill.

Annual Appropriations for Challenge Academy

	<u>FED</u>	<u>PR</u>	<u>Total</u>
Base	\$2,464,600	\$1,615,100	\$4,079,700
Standard Budget Adjustments	137,300	91,300	228,600
Increased Federal Funding	594,300	-594,300	0
Increase Employee Contributions	-115,600	-33,200	-148,800
Agency Budget Reductions	0	-52,100	-52,100
 Governor's Recommendation	 \$3,080,600	 \$1,026,800	 \$4,107,400
Change Base	\$616,000	- \$588,300	\$27,700

8. The Department of Public Instruction reduces each school district's general aid payment by an amount equal to the number of pupils counted in the district's membership who are attending the Challenge Academy multiplied by the lesser of: (a) the state share of the average cost per pupil attending the Challenge Academy; or (b) the sum of the district's base revenue per pupil plus the per pupil adjustment under revenue limits. The Department of Public Instruction makes an annual payment to DMA from the general school aids appropriation equal to the sum of the districts' aid reductions.

9. On July 29, 2010, the federal government informed DMA that there was an increase to the allowable federal share of costs of operating state Challenge Programs. This federal change allows the state to pay a reduced percentage of the costs (25% rather than 40%). Under this modified allowance, the Governor has recommended shifting the amount of Challenge Academy costs borne by payments from the Department of Public Instruction (-\$594,300 PR and -6.75 PR positions annually) to federal appropriations (\$594,300 FED and 6.75 FED positions annually).

10. As shown in the table, the total provided under the bill would represent a small increase (\$27,700 all funds annually) over base funds. Overall, the reductions for increased employee contributions for pensions and health care and agency budget reductions (-\$200,900 all funds annually) would be nearly equal to the increases for standard budget adjustments (\$228,600 all funds annually).

11. The bill would also reduce the PR for the Challenge Academy by \$52,100 PR annually, an amount equal to 10% of base funding for supplies and services of the PR revenues from billings to the Department of Public Instruction.

12. Since the federal government matches allowable costs at 75% of allowable costs, by restoring the agency budget reductions to the PR, the state would likely be eligible for an additional \$156,300 FED, for a total funding increase of \$208,400 (all funds) annual increase over amounts provided under the bill.

ALTERNATIVES

1. Approve the Governor's recommendation to delete \$80,700 GPR annually from supplies and services for the DMA repair and maintenance appropriation [s. 20.465(1)(b) of the statutes] and \$52,100 PR annually from supplies and services for the DMA Challenge Academy program [s. 20.465(4)(ka) of the statutes]. Reestimate the Department's federal aid appropriation by -\$96,900 FED annually related to the anticipated reduction in federal matching funds.

ALT 1	Change to Bill Funding
FED	- \$193,800

2. Delete the Governor's recommendation to remove \$80,700 GPR annually for supplies and services for the DMA repair and maintenance appropriation [s. 20.465(1)(b) of the statutes]. This alternative would generate an additional \$193,800 in federal funds over the Governor's bill.

ALT 2	Change to Bill Funding
GPR	\$161,400

3. Delete the Governor's recommendation to remove \$52,100 PR and, in addition, provide \$156,300 FED annually for supplies and services for the DMA Challenge Academy program [s. 20.465(4)(ka) of the statutes].

ALT 3	Change to Bill Funding
FED	\$312,600
PR	<u>104,200</u>
Total	\$416,800

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